



October 12, 2007

INDEPENDENT AUDIT REPORT AND CORRECTIVE ACTION PLAN REGARDING RUSSELL'S JERZEES DE CHOLOMA FACTORY

On September 28, 2007, the FLA contracted with A & L Group Inc. (ALGI), a labor compliance firm accredited by the FLA to conduct monitoring in several countries, to conduct an independent audit of the factory Jerzees de Choloma, in Choloma, Honduras, operated by Russell Corporation.

Independent Audit

In particular, the FLA asked ALGI to investigate the following allegations of violations of labor standards at the facility: (1) the factory required that workers perform mandatory overtime as a condition for employment and imposed penalties for failure to work overtime; (2) managers and supervisors routinely yelled at workers and addressed workers with demeaning epithets; (3) the factory has discriminated against at least one worker on the basis of her pregnancy; (4) factory restrooms fail to meet basic hygiene standards; (5) factory management responded to efforts by workers to organize a union by firing union leaders and supporters en masse and threatening to close the factory if workers persisted in efforts to organize a union; and (6) factory failed to provide benefits of educational bonus and late payment of wages. In addition, the FLA asked ALGI to (7) examine the allegation that the closure of the plant was a reaction to the attempt to form a union.

ALGI started its independent audit on Monday, October 1 and completed it on Wednesday, October 3. Russell granted the auditors access to the factory, records, and employees. The report of the audit prepared by ALGI is attached. The report found that four of the allegations were unfounded (mandatory overtime, discrimination against a pregnant worker, closure of facility because of attempts to form a union, and failure to pay educational bonus and late payment of wages) and three were corroborated (harassment and abuse by two supervisors, failure to provide hygienic bathrooms, termination of workers involved in the formation of a union).

Corrective Action Plan

The FLA has developed, and Russell Corporation has accepted, a corrective action plan (CAP) to remedy the identified noncompliances. The remediation actions go beyond the Jerzees de Choloma plant and will be implemented by Russell Corporation in all of its plants. The elements of the CAP are:

Freedom of association (FOA)

1. Issue a statement that will be communicated to all employees and posted in all Russell factories, in local languages, stating that Russell recognizes and respects the right of employees to freedom of association and collective bargaining. [company wide]
2. Include FOA training in the induction process of all employees. [company wide]
3. Eliminate from hiring forms question on prior participation in associations. [company wide]
4. Examine dismissal records in all Russell factories in the last 6 months to identify potential violations of FOA; act proactively to remediate them. [company wide]
5. Offer reinstatement to union members who were dismissed at Jerzees de Choloma in conjunction with the phase down of production at the plant, with back pay and no loss of seniority. [Choloma specific]
6. Recognize the union at Jerzees de Choloma and start dialogue and collaboration with the union. [Choloma specific]
7. Ensure that proper hiring and termination and nondiscrimination policies and procedures are in place at all factories. [company wide]

Harassment and abuse

1. Conduct supervisory training on proper management techniques that avoid harassment and abuse and include these elements in the performance evaluation of supervisors and managers. [company wide]
2. Review disciplinary procedures to allow workers to challenge supervisory decisions and conclusions. [company wide]
3. Conduct an internal review and take appropriate disciplinary action against supervisors who have been found to engage in harassment and abusive treatment of workers. [company wide]

Occupational safety and health

1. Prioritize inspections and cleaning of bathrooms on a predetermined schedule (as opposed to as needed basis). [company wide]

In addition, the FLA has recommended, and Russell Corporation has accepted, the following series of actions regarding retrenchment and assistance to workers affected by the closure of Jerzees de Choloma: (1) adopt a written retrenchment policy that is based on objective criteria and train managers and inform workers about it. The policy will ensure compliance with domestic law with regard to notice, severance, benefits for certain workers that receive special treatment, and other requirements [company wide]; (2) commit to give hiring priority to Jerzees de Choloma workers at other Russell facilities in the Choloma area [company wide]; and (3) facilitate reemployment of retrenched workers in non-Russell factories in the Choloma region. [company wide]

Russell Corporation has already begun to implement the CAP. We understand that Russell Corporation officials in Honduras met on October 11 with the Secretary General of the Central General de Trabajadores (CGT) to establish a dialogue and start collaboration with the union.

The FLA will periodically evaluate the implementation of the CAP accepted by Russell Corporation through special evaluations and as part of Russell Corporation's participation in the FLA.